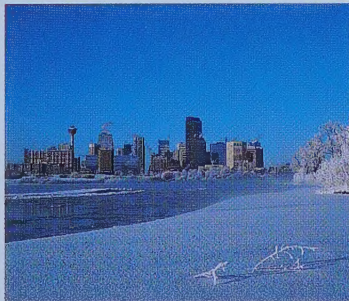


Windspear Business Reference Room  
University of Alberta  
1-18 Business Building  
Edmonton, Alberta T6G 2R6





## CORPORATE PROFILE

Gimbel Vision International Inc. is a public company that owns or is partnered with eye surgery centres across North and South America and the Asia-Pacific regions. Refractive laser eye surgery is performed at all the Company's centres. In addition, a full range of eye surgeries are performed by many of its international partners. The Company grants its business partners the use of the Gimbel Eye Centre name and Care Track™ systems for eye surgery services. Through its strategic alliance with Gimbel Eye Centre's management company, I Care Services Ltd., Gimbel Vision provides ophthalmic practitioners with access to a wide range of professional support including physician and staff training, management of clinical and surgical operations, marketing, patient education, and other consultation services.

### FRONT COVER

*Photos from Top:*

*Left:*

Dr. Diane Vicary

Brisbane, Australia

Bangkok, Thailand

Calgary, Alberta

*Right:*

Vancouver, British Columbia

Dr. Gimbel and Dr. Sun

Pacific Eye Centre, Mackay, Australia

Dr. J. Van Westenbrugge

and Angela Koop, Calgary

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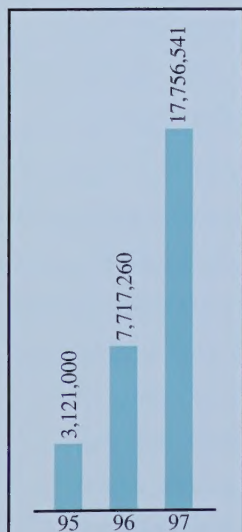
# FINANCIAL HIGHLIGHTS



For the years

	1997	1996	% Change
Revenue	\$ 17,756,541	\$ 7,717,260	+130.1
Net Income	\$ 1,011,564	\$ 631,124	+ 60.3
Earnings per share	\$ 0.05	\$ 0.03	+ 66.7
Cash flow from operations	\$ 2,072,602	\$ 1,715,056	+ 20.8
Cash flow from operations per share	\$ 0.10	\$ 0.09	+ 11.1
Total Assets	\$ 12,735,108	\$ 6,728,997	+ 89.3
Shareholders' Equity	\$ 3,596,369	\$ 1,325,561	+171.3
Number of shares at year end	20,043,850	19,739,350	
Share price at year end	\$ 1.20	\$ 1.25	

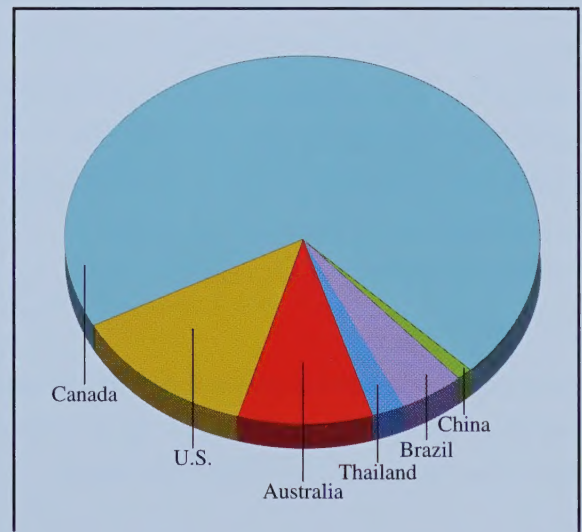
Gross Revenue



Refractive Surgery Volumes



Number of Refractive Surgeries By Country





# LETTER TO SHAREHOLDERS

## 1997 Achievements

**I** 1997 was once again a year of record revenues and profits for our Company. Annual revenues were \$17,756,541, a 130% increase from 1996. Cash flow from operations rose to \$2,072,602, a 21% increase from 1996. Net income before taxes was \$2,175,844 and after taxes was \$1,011,564. Gimbel Vision continues to be a leader in the refractive laser surgery sector by demonstrating positive financial performance and continuing profitability.

During 1997 shareholders approved a change in the Company's name from Shooting Star Technologies Inc. to Gimbel Vision International Inc. The name change more accurately reflects the Company's business of providing surgical eye care to patients on an international basis using the Gimbel Eye Centre model. Gimbel Vision is very proud of our association with Gimbel Eye Centre and we remain committed to the Centre's vision, mission, and values.

Surgeons at our centres performed 9,322 primary refractive procedures during 1997, an increase of 85% from the 5,034 procedures performed



*"Gimbel Vision continues to be a leader in the refractive laser surgery sector by demonstrating positive financial performance and continuing profitability."*

*Ed L. Belanger  
President and Chief  
Executive Officer*

during 1996. During 1997, 83% of the refractive procedures were performed in North America. As acceptance of refractive laser surgery increases worldwide, Gimbel Vision is prepared to take advantage of the opportunities presented by the industry growth.

Expansion during 1997 resulted in the addition of eight centres including: Vancouver, British Columbia; Toronto, Ontario; Sacramento, California; Brisbane and Mackay, Australia, Bangkok, Thailand; Beijing, China; and Belo Horizonte, Brazil. The Gimbel Eye Centre - Toronto operations were sold during 1997 to Gimbel Vision's business partner, and plans began immediately to establish a wholly owned centre in a more central and convenient location which opened in March

1998. At the end of 1997, there were eleven sites in six countries in Gimbel Vision's network of companies.

During 1997 the Company raised \$2.8 million through an equity offering. A total of \$1.1 million was raised through a private placement in August 1997, and an additional \$1.7 million was raised through the sale of 1,545,455 units of shares and warrants. Gimbel Vision will use these funds to continue our expansion of eye surgery centres in new and existing markets.

## 1998 Objectives

Although we are proud of our Company's financial performance, we remain dedicated to our mission of "Putting the Patient First Worldwide." All of our employees are committed to achieving exceptional client satisfaction. This means that each one of us strive for excellence with constant innovation.

Gimbel Vision will continue with its plans for international expansion. The practice of aligning Gimbel Vision with high-quality, established ophthalmic practitioners has proven to be an effective and profitable model. The Care Track™ method of providing patient care offers our partners an opportunity to share in the success modeled by the Gimbel Eye Centres.

As Gimbel Vision expands, a synergy is developing which will enable the Company's medical professionals to share technical innovations and research developments with each other. Gimbel Vision's global network intends to conduct standardized multi-site research studies, which will add to international medical knowledge and to the ability of the Company to provide specialized surgery services.

*Although we are proud of our Company's financial performance, we remain dedicated to our mission of "Putting the Patient First Worldwide."*


## Appointments

I am pleased to report that in November 1997 Mr. Clifford James accepted the appointment as Chairman of the Board of Gimbel Vision. Mr. James is a founding member of the board of directors and has a long-standing association with the Gimbel group of companies. Former Chairman, Robert McInnes, agreed to remain as a member of the Company's board of directors, and we wish to

thank him for his outstanding efforts on behalf of our Company.

I am also pleased to report that effective December 1, 1997 Barbara Miller-Hodges was appointed Chief Financial Officer of Gimbel Vision and will be providing strategic financial direction to senior management.

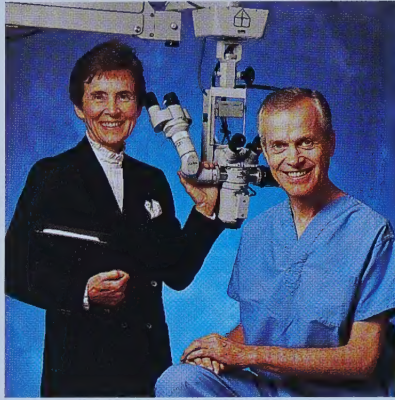
I would like to express my sincere thanks to all the employees, physicians, partners, and shareholders of Gimbel Vision International Inc. and the employees of its associated companies for their dedication and belief in Gimbel Vision.



*Ed L. Belanger  
President and Chief Executive Officer*



# FOUNDERS' LETTER



**I**t's been teamwork from the very beginning - from medical school and raising five children to establishing a growing practice to meet the needs of patients. For the last fifteen years we have had the extraordinary privilege of sharing the leadership of the Gimbel Eye Centre organizations. We have had the joy of developing our complementary skills and talents in the areas of our personal interest.

By leading with the heart - always making our decisions guided by the principles of providing compassionate, competent and convenient care to our patients - we have had the honor to serve many thousands of people. We have been humbled by this experience, as we recognize the privilege comes with the responsibility to share what we have learned with our colleagues and the rest of the world.

As we have pursued our commitment to excellence and constant innovation, we have also developed competency based training for our staff, outcomes analysis and research, and continuous quality improvement in all areas of the Centre. The model that we developed through the years is now what attracts the quality partners in Gimbel Vision International.

We had been a practice which was dependent on the skills of one surgeon and his capable administrator. We are now a company which relies on a set of core values and a high performing team of talented and accomplished people.

We remain committed to offering world class laser vision correction and other ophthalmic surgery services and to partnering with individuals who share our core values of service and innovation.

We understand that reasonable financial returns for our shareholders is the result of doing both of these things well.

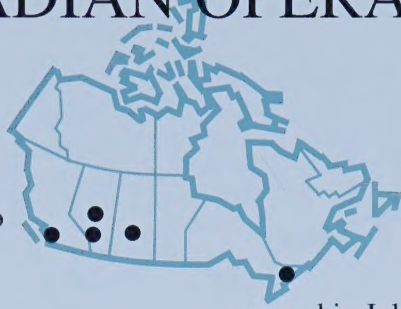
What we continue to see reinforced through the success of Gimbel Vision International is the belief we share: Do what is right for the patient, and the business will be successful.

Howard Gimbel  
MD, MPH

Judy Gimbel  
MPH



# CANADIAN OPERATIONS



**G**imbel Vision provides refractive laser eye surgery to clients in Canada at the Gimbel Eye Centres. Laser refractive eye surgery is continuing to gain popularity with Canadian patients, as was clearly demonstrated by the increase in the number of refractive surgery procedures performed during 1997. Each of our Canadian centres surpassed their forecasted number of surgeries making Gimbel Eye Centres one of the top providers of laser vision correction in Canada during 1997. Because of our extensive experience, we have developed a strong and successful operating model. It is our goal to occupy a leadership position in each of the markets where we operate while continuing to provide competent, compassionate, and convenient care.

At the end of 1997, there were four Canadian Gimbel Eye Centres located in Calgary and Edmonton, Alberta; Vancouver, British Columbia; and Saskatoon, Saskatchewan. A fifth Gimbel Eye Centre tested the Toronto, Ontario market before being sold to our former business partner. The strong performance of the centre convinced the Company to immediately begin work to establish a wholly owned facility in

Toronto. This new Gimbel Eye Centre opened in March 1998.

Gimbel Eye Centre - Vancouver opened in July 1997 in a 2,500 square foot downtown location. The centre is dedicated to laser refractive surgery and offers clients the choice of PRK and LASIK surgeries. The number of procedures performed at the centre during 1997 exceeded the number we had initially projected.

Our sophisticated training programs and innovative patient care systems contribute to the success of the Gimbel Eye Centres. The high skill level of our surgeons combined with the use of advanced instrumentations and technologies allows us to offer clients corrective procedures for a wide range of refractive problems, and we are committed to remain on the leading edge of technology. Laser In Situ Keratomileusis (LASIK) has become the treatment of choice for a majority of our clients.

As pioneers in the field of refractive surgeries, we continue to contribute to the advancement of ophthalmology through the introduction and development of new techniques and technologies. Gimbel Eye Centre is participating as an investigator in a multi-site clinical study to evaluate the feasibility of implantable lenses for refractive purposes. Ongoing refractive research will ensure that we are able to offer clients the most advanced techniques available. As well, we remain committed to patient education in order to keep patients well-informed about their choices for improved vision.



*Dr. Gimbel and Gimbel Eye Centre physicians and staff*



# UNITED STATES OPERATIONS



## Las Vegas, Nevada

**O**ur joint venture partner in Las Vegas is the well known and respected Shepherd Eye Center.

The medical director is Dr. John R. Shepherd, a leading pioneer of many procedures in ophthalmology. Surgeons at the center have been providing services in the area for 29 years. Refractive surgeries have been performed at the center since 1985 and laser surgery since January 1996. During 1997, surgery volumes at Shepherd Eye Center increased by 127% from the year 1996.

In October 1997 our partners opened the Focal Point Laser Center, the only free standing laser center in Las Vegas with staff dedicated to laser refractive surgery. This new 4,000 square foot facility is equipped with two lasers and four exam lanes. Audio visual equipment has been installed to permit family viewing of surgeries. The center is one of nine U.S. sites conducting investigational studies for the FDA with the NIDEK EC-5000 Laser.



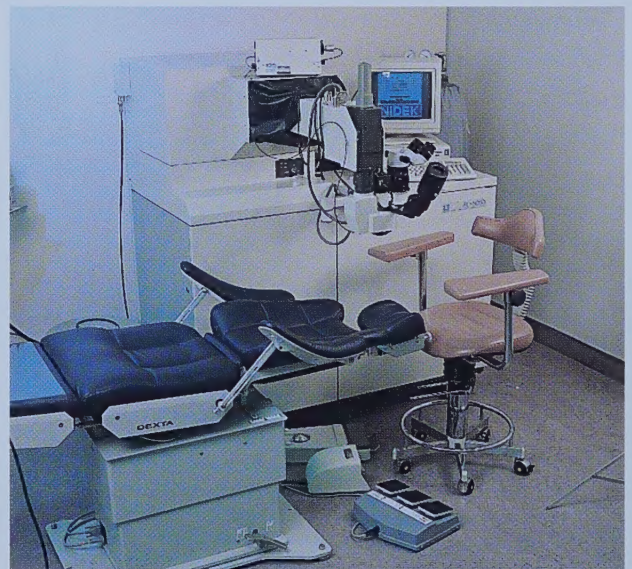
*Las Vegas, Nevada*

## Sacramento, California

On September 1, 1997, Gimbel Vision purchased a 52.5% share of Sacramento Refractive Laser

Associates LLC, giving the Company majority ownership of Sacramento Laser Vision Center. The center has been in operation since 1995 and will be changing its name to Focal Point Vision Center in 1998. Both PRK and LASIK laser surgery are available to correct nearsightedness and astigmatism. Medical Director, Dr. Richard Grutzmacher, is a highly experienced refractive surgeon with a large patient base and excellent reputation.

The Sacramento Center is organized as the "open access model" which means that surgeons approved by the Medical Director also have access to the facility and the laser for treatment of additional patients.



*Nidek laser*



# AUSTRALIAN OPERATIONS



**I**n March 1997 we signed an agreement with Vicary Eye Care Services Pty Ltd. providing Gimbel Vision with ownership of 75% of the two existing Pacific Eye Centres located in the cities of Brisbane and Mackay. Pacific Eye Centre was established in Brisbane in 1995 and has become a leader in laser vision correction and other refractive surgery. Pacific Eye Centre was Australia's first integrated eye centre, where the skills of ophthalmologists, optometrists, and medical practitioners with different areas of expertise are combined to give patients an exceptional level of quality care. The surgeons at the Centre perform both cataract and laser refractive surgeries and are currently performing approximately 4,000 surgical procedures per year.

In Mackay, the eye clinic and surgery centre are combined in a facility that has won architectural and building awards for its excellence. State-of-the-art technology, combined with insight and skill, provide efficient and highly effective treatment.

The Medical Director is the renowned Dr. Diane Vicary who is widely recognized for her work in cataract and refractive surgery. Dr. Vicary determined from the beginning to take extraordinary measures to ensure

that her patients always received medical care characterized by quality and effectiveness. Dr. Vicary was the first surgeon in the Asia Pacific region to participate in trials and clinical research on the Implantable Contact Lens which has the potential to expand the options for patients with refractive errors.

By continually analyzing extensive data from surgeries, the Centre is able to refine and direct the progress of vision correction. Training programs developed by the Gimbel Eye Centre will be implemented to increase the efficiency of providing patient care. The Pacific Eye Centre will continue to expand in size and scope and to challenge itself and others to provide people with extraordinary vision care.



*Dr. Diane Vicary*



*Pacific Eye Centre – Brisbane*



# BRAZILIAN OPERATIONS

**I**n March 1997 we signed a partnership agreement with Clinica Dr. Ricardo Guimarães which resulted in the creation of Gimbel Guimarães Vision Centres S/C Ltda. (GGVC) which is owned 51% by a subsidiary of Gimbel Vision.

In May 1997 GGVC acquired the assets of Dr. Guimarães' existing refractive practice in Belo Horizonte, Brazil. Dr. Guimarães is an ophthalmologist with an international reputation and who has performed in excess of 25,000 refractive surgery procedures. The clinic was established in 1982 and later moved to the Hospital de Olhos de Minas Gerais. Equipped with the most modern equipment available, the



“Hospital of Eyes” is a 50,000 square foot eye institute architecturally designed to be both comfortable as well as functional.

Although the surgeries performed in Brazil during 1997 were 4% of Gimbel Vision's total number of procedures, we expect Brazil to become an important market for our company. Gimbel Vision will work exclusively with Dr. Guimarães in any expansion activities in the Latin American countries.



*Hospital de Olhos de Minas Gerais*



*Hospital Staff*



# ASIAN OPERATIONS

## CHINA

Under an agreement with the Air Force General Hospital in Beijing, China, Gimbel Vision provides medical equipment to the hospital, including an excimer laser for treatment of near and far-sightedness and a phacoemulsifier for the treatment of cataracts. We also provide training for surgeons and clinical staff members as well as maintenance of the equipment. Our partners provide space and utilities for the eye centre, day-to-day administration, and medical staff including surgeons from the hospital's Department of Ophthalmology.

The Air Force General Hospital was established in 1956 and is considered a teaching, research, and health care facility. The Air Force General Hospital - Gimbel Eye Centre began providing both PRK refractive and cataract services to



*Dr. Ran Sun*



clients beginning in August 1997. Operations at the Centre during 1997 totalled 1% of Gimbel Vision's worldwide number of procedures.

## THAILAND

In January 1997, Gimbel Vision acquired a 45% interest in a laser refractive eye surgery centre in Bangkok, Thailand. The centre is associated with the well-known and successful Rutnin Eye Hospital which was established in 1964. The Rutnin-Gimbel Eye Centre began performing laser refractive services in June 1997. Both PRK and LASIK refractive services are available to the centre's clients.

The currency fluctuations of the Thai Bhat have presented an opportunity for the centre to attract foreign patients to Thailand because of the lower cost to residents of countries with higher exchange rates.



*Bangkok market*



# MANAGEMENT'S DISCUSSION AND ANALYSIS

**T**his discussion and analysis of the financial condition of the Company and the results of operations should be read in conjunction with the financial statements and the related notes.

## Overview

Gimbel Vision International Inc. (the Company) was incorporated in June of 1994 as Shooting Star Technologies Inc. The Company changed its name to Gimbel Vision International Inc. during June of 1997.

The Company is pursuing a strategy of well managed growth whereby its time and resources are primarily focused on forming alliances with ophthalmologists who have well established practices in their markets or have potential to expand in that market. These ophthalmologists typically have a long standing relationship with Dr. Howard V. Gimbel, the Medical Director of the Company, and wish to form partnerships with him and his associates and other international colleagues to advance the science and art of cataract and refractive laser surgery. Gimbel Vision will continue to contribute its resources to form alliances with ophthalmologists who dedicate their time and skills to the success of eye surgery around the world.

## Results of Operations

### Revenues

In 1997, revenues increased 130% to 17.8 million from 7.7 million in 1996. Included are the results from the following centres:

Location	Number of Months Open during 1997	% Ownership
Calgary and Edmonton, Alberta	12	100
Toronto, Ontario	9	51
Vancouver, BC	6	100
Saskatoon, Saskatchewan	12	100
Las Vegas, Nevada	12	50
Brisbane and Mackay, Australia	10	75
Sacramento, California	4	52.5

*(The results from Beijing and Belo Horizonte will be included in the first quarter of 1998. Bangkok is accounted for on the equity method whereby Gimbel Vision's share of results is included as one line on the financial statements.)*

Revenue increases are a result of the increase in the number of centres open as well as a 39% increase in the number of procedures performed in established centres. The number of total primary refractive procedures increased 85% to 9,322 from 5,035 in 1996. The Company was performing an average of 1,000 refractive procedures per month in the latter part of 1997. Management believes that both the new and established centres will continue to increase this number as market acceptance and penetration continues.

### Expenses

Total expenses have increased to \$15.5 million from \$6.4 million in 1996. This is due to the additional variable costs attributable to the increase in procedures, higher fixed costs as new centres are opened, increased cost of equipment sales as the related sales have increased and increases in general and administrative costs required to support the new centres.



Operating expenses have increased 129% from \$4.7 million in 1996 to \$10.8 million in 1997. This 129% increase is consistent with the 130% increase in revenues, and the operating costs remain at 61% of revenue in both years.

Depreciation and amortization have increased as a percentage of revenue from 6.7% in 1996 to 8.6% in 1997. This is in large part due to the significant increase in capital expenditures as new centres have opened. The remainder is a result of the accelerated write down of development costs for new centres.

The gross profit on equipment sales has decreased from 31.2% in 1996 to 12.2% in 1997. IC Medical, the division which distributes medical equipment, obtained a substantial contract midway through 1997 for a fixed profit margin of 10%. While this contract helped to increase sales, the margins achieved were lower than the previous levels. The balance of the

decline is attributed to the weakening of the Canadian dollar because a significant volume of equipment is manufactured in the U.S. Management believes that the gross profit will improve in 1998 as a new pricing structure is put in place and any new substantial contracts will be renewed at higher gross profit level.

Consolidated interest has increased from \$0.26

million in 1996 to \$0.57 million in 1997. The increase in interest is consistent with the increase in long-term lease obligations used for laser financing.

**Earnings**

Earnings before income taxes and minority interest increased 58% from \$1.37 million in 1996 to \$2.18 million in 1997. As expected, the Company’s Australian operations sustained operating losses in its first year. Gimbel Vision’s U.S. operations improved their performance in fiscal 1997 by increasing revenue and eliminating operating losses. The Company’s equipment sales division continued to sustain operating losses in 1997 as in 1996. Once again, the Company’s strong Canadian operations have more than offset the start up losses in new centres.

Net earnings have increased 27% from \$.63 million to \$1.0 million in 1997. Gimbel Vision is continuing to focus on the disproportionate cash tax liability in Canada. The Company continues to explore strategies to minimize this cash tax outflow and during the year amalgamated two wholly owned subsidiaries, one of which had substantial loss carry forwards which will be reflected in the 1998 results.

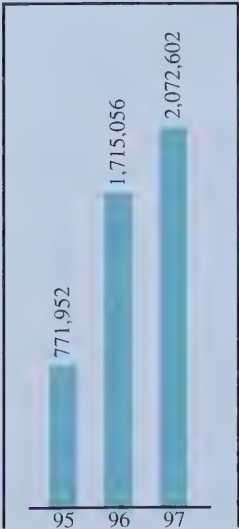
**Financial Condition**

*Cash flow liquidity and capital resources*

During 1997 the Company earned \$2.1 million of cash from operating activities compared to \$1.7 million in the prior year. These funds were used primarily to finance business acquisitions and pay obligations.

In addition, Gimbel Vision obtained \$3.3 million in lease financing to help facilitate its capital requirements for asset additions in new markets.

Cash Provided by Operations



### *Near Term*

The Company has available the net proceeds of \$.97 million from the Special Warrants offering in August as well as \$1.5 million from the equity offering which closed in January of 1998.

Management believes that cash flow from operations, the proceeds from the warrants together with the proceeds from the offering in January 1998 of \$1.5 million will be sufficient to finance current and future expansion plans and meet our current obligations as they come due. Accounts payable include \$1.0 million for lasers which are to be paid for by the end of 1998 and, therefore, will be funded by ongoing operating cash flow.

Relatively high inventory levels in the equipment sales division must be maintained to ensure the Company can provide efficient customer service throughout the year. As in any distribution business, a supplier must be able to quickly fill customer orders, and having a complete inventory in stock ensures this turnaround is possible. Management continually monitors the level of inventory and accounts receivable.

### *Beyond 1998*

Earnings from out-of-country investments have not been repatriated to Canada and are being kept in the foreign jurisdictions for future expansion.

The Company expects to continue to lease assets and incur other forms of debt to finance any further expansion which cannot be funded from ongoing operating cash flow.

## **Risks and Uncertainties**

### *Foreign Exchange*

The Company does not currently use any formal hedging techniques due to the natural hedges beginning to result from having operations in Canada, the U.S. and Australia. Our U.S. operations are becoming cash flow positive which will help to fund expansion in that country, and the Australian dollar is stable thereby minimizing our currency exposure there. Our investment and currency in the People's Republic of China is insured by the Export Development Corporation. The insurance covers political turmoil, specifically expropriation of equipment and a sudden inability to convert currency or repatriate profits.

### *Competitive environment*

In Canada, The Gimbel Eye Center enjoys a market leadership position in refractive surgery. Since the acquisition and development of its refractive practices, Gimbel Vision's ophthalmologists have continued to consistently increase surgical volume. It is management's belief that, as competition enters a market where we have an existing centre, our volumes actually increase due to the increase in market awareness. Depending on the particular market, we compete with individual ophthalmologists and other eye surgery centres. The Company differentiates itself through well developed training and certification programs, an extensive system for medical records and other information, the Care Track System™, and by striving to exceed each patient's expectations. The foregoing are key components of the strong operating model which has been developed from the Company's extensive experience in each of these areas.



While Gimbel Vision will continue to look at a variety of investment alternatives, the Company's main focus will continue to be its plan of partnering with well respected ophthalmologists operating high volume refractive practices.

*Technology*

The Company faces the risk that its processes, products, systems and services may cease to be commercially successful or may be rendered obsolete by further scientific and technological developments. Through its relationship with the Gimbel Eye Centre and its research team as well as with Dr. H. V. Gimbel, the Company's Medical Director, the Company continues to be on the leading edge with technology. Advanced technology has always been a cornerstone of the success of the Gimbel Eye Centres and the increasing number of preeminent ophthalmologists with whom we are affiliated world wide will enhance this tradition.

*Year 2000*

Gimbel Vision has undertaken initiatives to assess the Company's computer systems, equipment and applications relative to the arrival of the year 2000. The use of computer systems, equipment and applications that rely on 2 digit date and time data for computations and decision making functions may cause such systems, equipment and controls to malfunction in the year 2000.

We have begun a company-wide review to prepare our computer systems, equipment and applications for this risk. The majority of our applications have been confirmed as Year 2000 compliant by the manufacturer. Our in house medical billing and medical records systems are currently undergoing extensive testing and review processes to ensure compliance. Our medical equipment is being dealt with on a specific manufacturer basis. We intend to complete our comprehensive assessment of our Year 2000 readiness by mid-1998. Action plans will then be put in place to address any areas that do not comply. We currently do not expect the costs of compliance to have a material impact on results. Costs associated with Year 2000 initiatives will be expensed as they are incurred.

**Outlook for 1998**

The Company expects the volumes of refractive laser surgeries to continue to grow as more individuals around the world become aware of the benefits. We will continue to expand throughout 1998 and realize significant economies of scale in countries where we have multiple locations. We will also continue to improve upon our existing practices' operations and procedure volumes.



## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying Consolidated Financial Statements and information in the Annual Report are the responsibility of management and have been approved by the Board of Directors. The financial statements have been prepared by Management in accordance with Canadian generally accepted accounting principles and include amounts that are based on estimates and judgments. Financial information contained elsewhere in this Annual Report is consistent with the consolidated financial statements.


Management has developed and maintains a system of internal accounting controls. Management believes that these controls provide reasonable assurance that financial records are reliable and form a proper basis for preparation of financial statements. The internal accounting control process includes Management's communication to employees of policies which govern ethical business conduct.

The Board of Directors carries out its responsibility for the financial statements through its Audit Committee, which consists entirely of outside members of Gimbel Vision's Board of Directors. This committee meets periodically throughout the year with Management and the independent external auditors to discuss and review audit and financial matters, and recommends the financial statements to Gimbel Vision's Board of Directors for approval. The Company's external auditors have full and free access to the Audit Committee.

KPMG, the Company's external auditors, provide an independent audit of the Consolidated Financial Statements. Their examination is conducted in accordance with generally accepted auditing standards and includes tests and other procedures which allow the auditors to report on the fairness of the Consolidated Financial Statements prepared by management.



E. L. Belanger  
President and  
Chief Executive Officer



B.L. Miller-Hodges  
Chief Financial Officer

Calgary, Alberta  
March 24, 1998





## AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Gimbel Vision International Inc. (formerly Shooting Star Technologies Inc.) as at December 31, 1997 and 1996 and the consolidated statements of earnings and retained earnings and changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1997 and 1996 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

KPMG

Chartered Accountants

Calgary, Canada  
March 24, 1998

# CONSOLIDATED BALANCE SHEET

December 31, 1997 and 1996

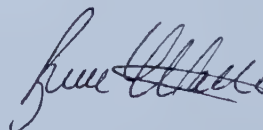
	1997	1996
<b>Assets</b>		
<b>Current assets:</b>		
Cash	\$ 1,868,852	\$ 868,775
Accounts receivable	1,645,836	1,363,973
Inventory	1,270,498	672,090
Prepaid expenses	146,289	34,697
	<b>4,931,475</b>	<b>2,939,535</b>
Investment (note 2(b))	283,327	—
Deferred development costs (note 3)	333,654	391,873
Capital assets (note 4)	6,873,677	3,397,589
Goodwill	312,975	—
	<b>\$12,735,108</b>	<b>\$6,728,997</b>
<b>Liabilities and Shareholders' equity</b>		
<b>Current liabilities:</b>		
Bank indebtedness (note 5)	\$ 249,013	\$ 406,539
Accounts payable and accrued liabilities	3,134,229	2,379,256
Income taxes payable	568,417	647,002
Current portion of obligations under capital lease (note 6)	1,267,546	298,329
Current portion of long-term debt (note 7)	126,192	109,847
Deferred revenue	2,130	26,230
	<b>5,347,527</b>	<b>3,867,203</b>
Obligations under capital lease (note 6)	3,355,053	1,112,402
Long-term debt (note 7)	288,052	393,831
Non-controlling interest	148,107	—
Deferred income taxes	—	30,000
<b>Shareholders' equity:</b>		
Capital stock (note 8)	963,785	689,735
Special warrants (note 9)	974,585	—
Cumulative translation adjustment	10,609	—
Retained earnings	1,647,390	635,826
	<b>3,596,369</b>	<b>1,325,561</b>
Subsequent events (note 15)		
	<b>\$12,735,108</b>	<b>\$6,728,997</b>

See accompanying notes to consolidated financial statements.

Approved by the Board:



Clifford M. James  
Director



Bruce Maller  
Director



# CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

Years ended December 31, 1997 and 1996

	1997	1996
<b>Revenues:</b>		
Facility fees	\$14,881,374	\$6,463,299
Equipment sales	2,875,167	1,253,961
	<b>17,756,541</b>	<b>7,717,260</b>
<b>Expenses:</b>		
Operating	10,848,732	4,730,277
Cost of equipment sales	2,524,390	862,836
Interest	574,218	262,105
Depreciation and amortization	1,531,250	519,228
	<b>15,478,590</b>	<b>6,374,446</b>
Earnings before undernoted items	<b>2,277,951</b>	<b>1,342,814</b>
Gain (loss) on disposal of capital assets	(45,551)	33,310
Equity in losses of associated company	(56,556)	—
Earnings before income taxes and non-controlling interest	<b>2,175,844</b>	<b>1,376,124</b>
Income taxes:		
Current	1,404,000	715,000
Deferred (reduction)	(30,000)	30,000
	<b>1,374,000</b>	<b>745,000</b>
Earnings before non-controlling interest	<b>801,844</b>	<b>631,124</b>
Non-controlling interest	209,720	—
Net earnings	<b>1,011,564</b>	<b>631,124</b>
Retained earnings, beginning of year	635,826	4,702
Retained earnings, end of year	<b>\$ 1,647,390</b>	<b>\$ 635,826</b>
<b>Earnings per common share:</b>		
Basic	<b>\$ 0.05</b>	<b>\$ 0.03</b>
Fully diluted	<b>\$ 0.05</b>	<b>\$ 0.03</b>

See accompanying notes to consolidated financial statements.

# CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

Years ended December 31, 1997 and 1996

	1997	1996
<b>Cash provided by (used in):</b>		
<b>Operations:</b>		
Net earnings	\$ 1,011,564	\$ 631,124
Items not involving cash:		
Depreciation and amortization	1,531,250	519,228
(Gain) loss on disposal of capital assets	45,551	(33,310)
Deferred income taxes (reduction)	(30,000)	30,000
Equity in losses of associated company	56,556	—
Non-controlling interest	(209,720)	—
	2,405,201	1,147,042
Changes in non-cash operating working capital	(332,599)	568,014
	2,072,602	1,715,056
<b>Financing:</b>		
Increase in capital lease obligations	3,250,114	935,169
Proceeds on issuance of special warrants (net of issue costs of \$95,970)	974,585	—
Issuance of shares to acquire subsidiary	258,300	—
Proceeds on issuance of share capital	15,750	127,300
Repayments of capital lease obligations	(1,383,145)	(522,570)
Repayment of long-term debt	(89,434)	(96,262)
Proceeds of long-term debt	—	599,940
	3,026,170	1,043,577
<b>Investments:</b>		
Acquisition of businesses (net of cash) (note 2)	(797,653)	—
Investments	(339,883)	—
Deferred development costs	(110,529)	(350,428)
Additions to capital assets	(2,944,981)	(2,223,871)
Proceeds on disposal of capital assets	251,877	342,500
	(3,941,169)	(2,231,799)
Increase in cash position	1,157,603	526,834
Cash position, beginning of year	462,236	(64,598)
Cash position, end of year	\$ 1,619,839	\$ 462,236

Cash position is defined as cash, term deposits and bank indebtedness

See accompanying notes to consolidated financial statements.





# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 1997 and 1996

Gimbel Vision International Inc. (the “Company”) is a public company that develops and operates ophthalmic surgery centres across North and South America, East Asia and Australia. While developing those centres, the Company grants the use of the “Gimbel” name and systems for these ophthalmic services. The Company also provides ophthalmic practitioners with a wide range of professional support including training, marketing, operations, equipment maintenance and consultation services.

## 1. Significant accounting policies:

The preparation of financial statements in conformity with generally accepted accounting principles requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingencies at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

### (a) Basis of presentation:

These consolidated financial statements included the accounts of the Company and its subsidiaries.

The Company’s investment in a U.S. joint venture has been accounted for using the proportionate consolidation method, whereby the Company’s proportionate share of revenues, expenses, assets and liabilities are included in the accounts.

The Company’s investment in a significantly influenced company has been accounted for using the equity method of accounting.

### (b) Inventory:

The inventory of medical supplies and publications is valued at the lower of cost or replacement cost. Inventory of medical equipment and supplies for resale is valued at the lower of cost and net realizable value.

### (c) Capital assets:

Capital assets are stated at historical cost. Depreciation of furniture and equipment is provided on a diminishing-balance basis at rates from 20% to 30% which allocate the cost of the assets over their estimated economic lives. Leasehold improvements are amortized on the straight-line basis over 8 years. Equipment under capital lease is initially recorded at the present value of minimum lease payments at the inception of the lease. Maintenance and repair costs are expensed as incurred.

(d) Deferred development costs:

Deferred development costs are comprised of:

- (i) educational and promotional expenses and professional fees incurred in developing the Company's business; and
- (ii) other expenses incurred before the opening of new eye surgery centers.

The pre-opening period begins when expenditures are first incurred and ends with the commencement of operations of the related center. Amortization of costs is provided over the anticipated period of economic benefit which is estimated to be three years from the commencement of operations of the respective center.

(e) Goodwill:

Goodwill represents the excess of the purchase price of businesses acquired over the fair value of the identifiable assets acquired and is amortized over 5 years. At each balance sheet date management assesses the appropriateness of the goodwill balance, taking into consideration any events and circumstances which might have impaired the fair value.

(f) Revenue recognition:

The Company recognizes revenue for services at the time they are provided.

(g) Translation of foreign currencies:

The assets and liabilities of foreign operations, all of which are self-sustaining, are translated at exchange rates in effect at the balance sheet date. The resulting gains and losses are accumulated in the cumulative translation adjustment in shareholders' equity. Revenue and expense items are translated at average exchange rates prevailing during the period.

(h) Per share data:

Earnings per share have been calculated using the weighted average number of common shares outstanding during the period.



2. Business acquisitions and dispositions:

- (a) On February 13, 1997, the Company acquired 75% of the issued and outstanding common shares of Pacific Eye Centre (Australia) Pty. Ltd. (“PEC”) and its wholly owned subsidiaries, Pacific Eye Centre (Brisbane) Pty. Ltd. and Pacific Eye Centre (Mackay) Pty. Ltd. These companies are engaged primarily in the provision of cataract and refractive eye surgery services. The acquisition has been accounted for by the purchase method and the results of operations have been included from the effective date of acquisition.

On September 1, 1997, the Company acquired 52.5% of the issued and outstanding common shares of Sacramento Refractive Laser Associates (LLC) (“Sacramento”). This company is engaged in the provision of refractive eye surgery services in Sacramento, California. The acquisition has been accounted for by the purchase method and the results of operations have been included from the effective date of acquisition.

Details of the aggregate consideration given and the fair values of net assets acquired are as follows:

	PEC	Sacramento	Total
Consideration:			
Cash	\$ 218,861	\$385,309	\$ 604,170
Common shares	258,300	–	258,300
	\$ 477,161	\$385,309	\$ 862,470
Net assets acquired, at fair values:			
Other assets	\$ –	\$ 18,255	\$ 18,255
Capital assets	1,329,430	176,930	1,506,360
Goodwill	166,596	154,809	321,405
	1,496,026	349,994	1,846,020
Less:			
Non-cash working capital deficiency	31,721	7,972	39,693
Long-term debt	1,008,674	–	1,008,674
	1,040,395	7,972	1,048,367
Net assets before cash position	455,631	342,022	797,653
Cash position	21,530	43,287	64,817
Net assets acquired	\$ 477,161	\$385,309	\$ 862,470

- (b) On January 17, 1997, the Company signed an agreement to acquire a 45% interest in a new laser refractive surgery centre in Thailand.

Cash investment and advances	\$339,883
Share of losses for the period	(56,556)
	<b>\$283,327</b>

- (c) Effective September 22, 1997, the Company sold its 51% interest in Gimbel Eye Centre-Toronto Inc. for nominal consideration and the repayment in full of a shareholder loan in the amount of \$623,000. No gain or loss has been recognized on the sale.

3. Deferred development costs:

	1997	1996
Deferred development costs	\$555,721	\$419,009
Accumulated amortization	222,067	27,136
	<b>\$333,654</b>	<b>\$391,873</b>

4. Capital assets:

1997	Cost	Accumulated depreciation	Net book value
Laser and medical equipment	\$7,409,123	\$1,627,905	\$5,781,218
Furniture and office equipment	842,734	162,903	679,831
Leasehold improvements	442,914	30,286	412,628
	<b>\$8,694,771</b>	<b>\$1,821,094</b>	<b>\$6,873,677</b>
1996	Cost	Accumulated depreciation	Net book value
Laser and medical equipment	\$3,623,969	\$687,887	\$2,936,082
Furniture and office equipment	222,908	29,962	192,946
Leasehold improvements	273,718	5,157	268,561
	<b>\$4,120,595</b>	<b>\$723,006</b>	<b>\$3,397,589</b>

Capital assets under capital leases at December 31, 1997 amounted to \$4,316,191 (1996 - \$1,432,430).



5. Bank indebtedness:

	1997	1996
Operating loan to a maximum of \$225,000 bearing interest at bank prime rate plus 1% due on demand	\$ 165,000	\$200,000
Cheques issued in excess of funds on deposit	84,013	206,539
	<b>\$ 249,013</b>	<b>\$406,539</b>

The bank indebtedness is secured by general security agreements covering certain assets of the Company, guarantees and postponement of claims signed by the Company.

6. Obligations under capital lease:

Capital leases have implicit rates of interest ranging from bank prime plus 1/8% to plus 3/4% and interest at the rate of 90 day Bankers' Acceptances plus 1.75%. Interest paid on capital leases during the year was \$291,196 (1996 - \$62,836). Future minimum lease payments, excluding implicit interest, for the next 5 years are as follows:

1998	\$1,267,546
1999	1,330,948
2000	974,919
2001	758,034
2002	291,152
	4,622,599
Less: current portion	1,267,546
	<b>\$3,355,053</b>

7. Long-term debt:

	1997	1996
Bank term loan, repayable in monthly instalments of \$11,900 including interest at 9.25% to March 2001	\$ 393,767	\$473,678
Bank term loan, repayable in monthly instalments of \$954 including interest at bank prime rate plus 1% to December 1999	20,477	30,000
	<b>414,244</b>	<b>503,678</b>
Less: current portion	<b>126,192</b>	109,847
	<b>\$ 288,052</b>	<b>\$393,831</b>

Interest paid on long-term debt during the year was \$47,848 (1996 - \$22,448). Both loans are secured by certain capital assets. Principal repayments for the next 3 years are as follows:

1998	\$126,192
1999	137,781
2000	150,271
	<b>\$414,244</b>

## 8. Share capital:

### (a) Authorized:

Unlimited number of voting Common Shares without nominal or par value

Unlimited number of non-voting Class A Preferred Shares without nominal or par value

### (b) Issued:

	Number of Shares	Amount
Common Shares:		
Balance at January 1, 1996	19,446,600	\$562,435
Exercise of options for cash	136,500	27,300
Issued for cash on private offering	156,250	100,000
Balance, December 31, 1996	19,739,350	689,735
Exercise of options for cash	94,500	15,750
Issued on acquisition of subsidiary	210,000	258,300
Balance, December 31, 1997	20,043,850	\$963,785

On November 1, 1996, the Company issued a private placement offering to a director consisting of 156,250 units at a price of \$0.64 per unit. Each unit consisted of one common share and one share purchase warrant of the Company. Each warrant will entitle the holder to acquire one common share of the Company at a price of \$0.80. As at December 31, 1997, 156,250 (December 31, 1996 - 156,250) share purchase warrants were outstanding which expire on November 1, 1998.

### (c) Stock option plan:

As at December 31, 1997, pursuant to the Company's stock option plan, the Company has outstanding options to acquire 1,917,750 (December 31, 1996 - 1,874,250) common shares at prices ranging from \$0.20 to \$1.11 per share expiring at varying dates from November 1999 to January 2002. During 1997, 50,000 options were cancelled.

## 9. Special warrants:

Effective August 26, 1997, pursuant to a private placement, the Company issued 1,000,000 special warrants for consideration, net of issue costs, of \$974,585. Each special warrant entitles the holder to acquire one unit which is comprised of 1.1 common shares and one common share purchase warrant exercisable at \$1.50. The share purchase warrants expire on August 26, 1998. (refer to note 15(c))



10. Income taxes:

Income tax expense differs from the amounts which would be obtained by applying the Canadian statutory income tax rate to the respective year's earnings before taxes. These differences are as follows:

	1997	1996
Canadian statutory tax rate	44.6%	44.6%
Computed "expected" income taxes	\$ 970,500	\$614,000
Increase in income tax resulting from:		
Unrecognized benefit of losses of subsidiaries	434,500	77,500
Non-controlling interest	(93,500)	—
Non-deductible costs	62,500	53,500
	\$1,374,000	\$745,000

At December 31, 1997, the Company and its subsidiaries had accumulated losses for income tax purposes of approximately \$764,000 (1996 - \$295,000) for which no future tax benefit has been recognized in the accounts. These losses can be applied against future taxable income up to 2003. Approximately \$120,000 (1996 - \$nil) of these losses were incurred in tax jurisdictions outside Canada.

11. Related party transactions:

(a) The Company made the following payments to its majority shareholder:

	1997	1996
Management fees	\$ 26,750	\$100,000
Rent	161,002	167,009
Medical supplies	98,864	85,498

The Company paid rent of \$570,000 (1996 - \$ nil) to a minority shareholder. These transactions are considered to be in the normal course of operations and have been measured at the exchange amount of consideration established and agreed to by the related parties.

(b) A balance of \$423,240 (1996 - \$611,292) included in accounts receivable is due from the Company's majority shareholder. At December 31, 1997, a balance of \$nil (1996 - \$86,413) included in accounts receivable is due from an associated company for their share of development costs and purchase of capital assets.

12. Segmented information:

The Company and its subsidiaries have operated primarily in one industry during the year, that being the operation of eye surgery centres.

The reportable geographic segments are as follows:

	Canada	Australia	Other	Consolidated
Revenue	\$12,764,383	\$4,178,843	\$ 813,315	\$17,756,541
Earnings before income taxes and non-controlling interest	2,598,834	(421,290)	(1,700)	2,175,844
Income taxes	1,374,000	—	—	1,374,000
Non-controlling interest	209,720	—	—	209,720
Net earnings (loss)	1,434,554	(421,290)	(1,700)	1,011,564
Identifiable assets	\$ 8,856,283	\$2,117,227	\$1,761,598	\$12,735,108

There are no significant foreign geographic segments in prior reporting periods.

### 13. Investment in joint venture:

The following is a summary of the Company's proportionate share of the financial position, operating results, and cash flows of its investment in a U.S. joint venture:

	1997	1996
Assets:		
Current assets	\$ 101,915	\$ 59,510
Capital assets	778,930	561,242
Other assets	16,591	29,960
	\$ 897,436	\$650,712
Liabilities and equity:		
Current liabilities	\$ 676,555	\$367,288
Long-term debt	277,624	356,340
Deficit	(56,743)	(72,916)
	\$ 897,436	\$650,712
Revenues:	\$ 583,815	\$261,278
Expenses:		
Costs and expenses	392,864	232,552
Depreciation	134,445	79,192
Interest and bank charges	40,333	22,448
	567,642	334,192
Net earnings (loss)	\$ 16,173	\$ (72,916)
Cash provided by (used in):		
Operations	\$ 169,017	\$196,774
Financing	169,972	473,679
Investments	(338,764)	(670,396)
	\$ 225	\$ 57



#### 14. Financial instruments:

The carrying values of cash and bank indebtedness, accounts receivable and accounts payable and accrued liabilities approximate their fair values. The fair value of long-term debt included in the consolidated balance sheet is considered to be not materially different from its carrying value.

All obligations under capital leases and long-term debt with variable interest rates is assumed to be already at fair value, and therefore is not revalued.

#### 15. Subsequent events:

- (a) Effective January 1, 1998, the Company acquired 50.4% of the outstanding common shares of Oregon Laser Eye Centre (LLC) in Eugene, Oregon. This company is engaged in the provision of refractive eye surgery services. The acquisition will be accounted for by the purchase method and the results of operations will be included from the effective date. Details of the aggregate consideration given and the fair values of assets acquired are as follows:

Cash consideration	\$70,000
Net assets acquired, at fair values:	
Capital assets	\$70,000

Subsequent to the effective date, Oregon Laser Eye Centre (LLC) entered into a capital lease for U.S. \$700,000 to finance the purchase of a laser and other equipment, which has been guaranteed by the Company.

- (b) Effective January 18, 1998, the Company's Brazilian subsidiary signed an agreement with Laser Ocular Brazil-Canada Ltda. to acquire 51% of its issued and outstanding shares for cash consideration of R\$104,000 (C\$131,000). The Company will operate an eye surgery centre in the Sao Jose Hospital in Rio de Janeiro.
- (c) On January 21, 1998, the Company closed a public offering to qualify the issuance of 1.1 million common shares upon the exercise of special warrants, as well as issuing an additional 1,545,455 units at \$1.10 per unit. Each unit was comprised of one common share and one half share purchase warrant, with each whole warrant exercisable into one common share at a price of \$1.50. The warrants will expire on August 26, 1998. Proceeds from this offering were \$1,700,000 before expenses of \$35,250 and commissions of \$127,500.

# CORPORATE DIRECTORY

## CORPORATE INFORMATION

Gimbel Vision International Inc. is committed to maintaining high standards of corporate governance. A summary of the responsibilities of the governing bodies of the Company is contained in the Company's Management Information Circular.

Gimbel Vision's Board of Directors hold ultimate responsibility for the strategic governance of the Company. The Company supports good corporate governance through practices directed at the responsibilities, composition, and independence of the Board and its committees.

## CORPORATE OFFICERS AND DIRECTORS

CLIFFORD M. JAMES<sup>1, 2</sup>

Chairman and Director  
Calgary, Alberta  
President and Chief Executive Officer,  
TVI Pacific Inc.

ED L. BELANGER<sup>2, 3</sup>

President, Chief Executive Officer, and Director  
Calgary, Alberta

HOWARD V. GIMBEL, MD<sup>3</sup>

Medical Director and Director  
Calgary, Alberta  
Medical Director and Senior Surgeon,  
Gimbel Eye Centre

JUDITH A. GIMBEL<sup>2, 3</sup>

Director  
Calgary, Alberta  
Chief Executive Officer, I Care Services Ltd.

BRUCE S. MALLER<sup>1, 2</sup>

Director  
Incline Village, Nevada  
President, The BSM Consulting Group

ROBERT McINNES<sup>1</sup>

Director  
Calgary, Alberta  
Principal, The Osborne Group

ROBERT S. MILLAR<sup>3</sup>

Director  
Calgary, Alberta  
Vice President, Corporate Development,  
I Care Services Ltd.

BARBARA MILLER-HODGES

Chief Financial Officer  
Calgary, Alberta

<sup>1</sup> Member of the Audit Committee

<sup>2</sup> Member of the Compensation Committee

<sup>3</sup> Member of the Executive Committee



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**INVESTOR RELATIONS CONTACT:**

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Phone: (403) 202-3323  
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**TRANSFER AGENT**

Montreal Trust Company of Canada  
Calgary, Alberta and Toronto, Ontario

Contact for shareholder services:  
Montreal Trust Company of Canada  
600, 530 - 8 Avenue S.W.  
Calgary, Alberta T2P 3S8  
Phone: (403) 267-6800  
Fax: (403) 267-6529

**AUDITORS:**

KPMG Chartered Accountants  
Calgary, Alberta

**STOCK EXCHANGE LISTING:**

Alberta Stock Exchange  
Symbol: GBV

**ANNUAL & SPECIAL MEETING OF  
SHAREHOLDERS:**

Tuesday, June 16, 1998  
3:30 p.m.  
Market Mall Professional Building  
Main Floor, Suite 122, 4935 - 40 Avenue N.W.  
Calgary, Alberta



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